

HOUSE BILL 1670
By Fitzhugh

AN ACT to amend Tennessee Code Annotated, Title 45,
Chapter 15, relative to title pledge loans.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 45-15-111, is amended by deleting subsection (a) in its entirety and substituting instead the following:

(a)

(1) A title pledge lender shall contract for and receive an effective rate of interest on the original principal amount not to exceed thirty six percent (36%) per annum. The original principal amount is the same amount as the amount financed, as defined by the federal Truth in Lending Act and Regulation Z of the board of governors of the federal reserve system. In determining compliance with the statutory maximum interest, the computations must be simple interest and not add-on interest or any other computations. Such interest shall be deemed to be earned, due and owing as of the date of the title pledge agreement or property pledge agreement and a like sum shall be deemed earned, due and owing on the same day of each subsequent thirty-day period.

(2) Any interest contracted for or received, directly or indirectly, by a title pledge lender, or an agent of the title pledge lender, in excess of the amounts authorized under this chapter is prohibited and may not be collected by the title pledge lender or an agent of the title pledge lender.

(A) If such excess interest resulted from good faith error by the title pledge lender, or an agent of the title pledge lender, the property pledge or title pledge agreement is voidable and the title pledge lender shall refund excess

interest to the borrower within twenty (20) days after discovery by the title pledge lender or pledgor of the good faith error, whichever occurs first.

(B) If such excess interest resulted from an act by the title pledge lender, or an agent of the title pledge lender, to circumvent the maximum interest allowed by this chapter, the property pledge or title pledge agreement is void. The title pledge lender shall refund to the pledgor any interest paid on the property pledge or title pledge loan and return to the pledgor the pledged property. The title pledge lender forfeits the title pledge lender's right to collect any principal owed by the pledgor on the property pledge or title pledge loan.

(C) The department may order a title pledge lender, or an agent of the title pledge lender, to comply with the provisions of subdivisions (A) and (B).

(3) Any interest contracted for or received, directly or indirectly, by a title pledge lender, or an agent of the title pledge lender, in excess of the amount allowed by this chapter constitutes a violation of title 47, chapter 14, governing interest and usury, and the penalties of that chapter apply.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.